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SIPDIS

SENSITIVE
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FOR WHA/CAN

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TAGS: [PGOV](#) [ETRD](#) [ECON](#) [CA](#)
SUBJECT: NOVA SCOTIANS OFF TO THE POLLS IN A JUNE PROVINCIAL
ELECTION

REF: A) HALIFAX 35; B) HALIFAX 90

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SENSITIVE BUT UNCLASSIFIED -- PROTECT ACCORDINGLY

1. (SBU) SUMMARY: Conservative Premier Rodney MacDonald has called a provincial election for June 13. Issues of potential bilateral interest will be: offshore energy and liquefied natural gas (LNG) policies, subsidies to forest products companies, legislation aimed at shielding personal data from USG access and enhanced ferry service to the U.S. Although MacDonald's early poll numbers look good, don't count out Nova Scotia's New Democrats, who have a decent shot at forming the first NDP government in Atlantic Canada. END SUMMARY

2. (SBU) In what was the worst kept political secret of the year, on May 13 Tory Premier Rodney MacDonald called an election for June 13. Although there are over two years left in the mandate that MacDonald inherited from former Premier John Hamm, MacDonald has been anxious to put his own stamp on the legislature. In addition, the rookie Premier, who has been on the job since February, wants to end the increasingly cumbersome and weakening coalition that Hamm had skillfully forged and run with the two opposition parties to keep the government afloat and pass key legislation (ref A). The 2003 election left the Tories without a majority and they hold only 25 of the 52 seats in the provincial legislature. The official opposition New Democrats have 15, while the third-place Liberals have 10. Currently, there is one vacancy in the Legislature and one member sits as an Independent, a former Liberal who previously indicated that he would run as a Conservative when an election came.

3. (SBU) Also influencing the Premier's decision to call the election is his standing in public opinion polls. Election-watchers believe that if his numbers hold at their current 39% level, MacDonald could walk away with a majority government. However, these are early predictions that do not take into account how the two opposition parties will structure their campaigns and what the response from the electorate will be. While MacDonald can be expected to craft a platform focused heavily on the Tory record under the well-respected John Hamm, he has also tried to out-flank the NDP by introducing a relatively free-spending budget that takes several items from the New Democrats' platform, including a tax rebate on heating fuel.

4. (SBU) From the opposition side, the NDP, behind leader Darrell Dexter, will try to sell the party as a viable and experienced alternative to the Tories. We can expect Dexter to make a strong effort to keep the momentum going for his party

which just a few short years ago was in a distant third-place position in the province. NDP officials have their eye on the history books -- if they succeed in forming a government it will be the first for the party in Atlantic Canada. For Liberal Francis Mackenzie, who observers generally agree has had a lackluster tenure as party leader so far, the main challenge will be to keep the 10 seats he now has, plus ensure that he can win election himself and get his own seat in the House.

15. (SBU) Issues in the campaign undoubtedly will be the basic bread-and-butter items such as health, education, the size of the provincial debt and creating a more favorable climate for business and industry. Four issues likely to emerge that will be of interest to the United States are: the energy sector, subsidies for forest products companies, privacy legislation and transportation.

-- ENERGY: Whoever forms the government will need to deal with declining interest in Nova Scotia's offshore energy resources, which have proven harder to find and produce than expected. The MacDonald government is committed to moving ahead on development of offshore energy and is also looking at expanding LNG facilities in the province. The other parties can be expected to come up with own ideas in these areas which will probably take until the campaign gets fully underway.

-- SUBSIDIES: The government has already proposed paying paper maker Stora Enso C\$65 million over six years to help it keep operating a plant in Cape Breton, a high unemployment area and the Premier's home region (ref B). In addition, the government announced the day before the election that it would buy land valued at C\$26 million from Bowater Mersey, a paper manufacturer. The Liberals have said that more needs to be done for Stora Enso, and other forest products companies have already started asking: "Where's mine?"

-- PRIVACY: Shortly before the election was called the government introduced legislation that aimed at keeping data on Nova Scotians held by U.S. data processing companies out of the

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reach of the USG. This issue has been important for the NDP as well so regardless of who wins the election we can expect to see new legislation proposed by the next government.

-- TRANSPORTATION: The issue of government help for improved or new ferry links from southwestern Nova Scotia to New England might emerge as an issue in those areas, especially in those districts where there are tight races.

16. (SBU) COMMENT: While the campaign is just starting, this seems certain to be a close and exciting race. Of paramount interest will be how the new Premier handles himself in his first electoral campaign as the head of Nova Scotia's Progressive Conservatives. The other big story will be whether the NDP can build on its improved standing in public opinion and win enough seats to form the government. END COMMENT.
HILL